

MULTIMEDIA



UNIVERSITY

STUDENT IDENTIFICATION NO

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MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2018/2019

BSB 3314 – SEMINAR IN BANKING
(All Sections / Groups)

15 October 2018
2.30 p.m. – 4.30 p.m.
(2 Hours)

INSTRUCTION TO STUDENT

1. This Question paper consists of 3 pages (including front page) with **FOUR (4)** Questions only.
2. Answer **ALL** questions.
3. Write your answers in the Answer Booklet provided.

Question 1

- a) Venture capital is an important source of funding for start-up and other companies that have a limited operating history and do not have access to capital markets. A venture capital firm (VC) typically looks for new and small businesses with a perceived long-term growth potential that will result in a large payout for investors. Critically describe FOUR (4) steps the funding process via VC. (8 marks)
- b) It is essential to know the preferences of the Venture Capital you are approaching, and clearly articulate what type of funding you are seeking. Discuss FIVE (5) types of funding. (10 marks)
- c) You are going to invest in a start-up project which projected are earning of 5 million and will proceed for initial public offering (IPO) with price to earning ratio (P/E) 20 times in year 5. Your initial investment is 5 million and your required rate of return is 50%. What is your portion percentage of the company you will own? Demonstrate with a diagram. (7 marks)

(Total: 25 marks)

Question 2

Alliance Bank Berhad has just submitted its financial statements to Bursa Malaysia (Malaysian Stock Exchange) and Bank Negara Malaysia (Malaysian Central Bank). The bank reported net income before taxes and securities transactions of RM300 million and taxes RM80 million. Given the bank's total operating revenues were RM10 billion, total assets were RM18 billion, and equity capital of RM1.8 billion, compute the followings for Alliance Bank Berhad:

- i) Expense control efficiency ratio. (3 marks)
- ii) Tax management efficiency ratio. (3 marks)
- iii) Asset management efficiency ratio. (3 marks)
- iv) Funds management efficiency ratio. (3 marks)
- v) Return on Equity (ROE). (3 marks)
- vi) Assuming Alliance Bank Berhad recording a 20% rise in its net before-tax income, with its tax obligation, operating revenues, assets, and equity unchanged. What would happen to the company's ROE and its components? (10 marks)

(Total: 25 marks)

Continued...

Question 3

- a) Bank Rakyat Berhad struck a massive lending deal with its major customer – it was an RM200 million loan to its major customer. In order to fund the loan, Bank Rakyat Berhad sold the Certificate of Deposits (CDs) to its investors in the amount of RM80 million at a promised annual yield of 3% and borrowed RM120 million in the Federal Funds market from other banks at today's prevailing interest rate of 2%. An estimated of RM4,000,000 occurred due to the credit investigation and record keeping costs in order to process this loan application. In addition, the credit analysis division recommended a minimal 1.5 percentage risk premium on this loan and a minimal profit margin of one-quarter of a percentage point. The bank prefers using cost-plus loan pricing in this case.

What loan rate would it charge? Besides, what is its break-even point? **(13 marks)**

- b) Regulators use the CAMELS system to analyze bank risk. What does CAMELS stand for and what financial ratios might best capture each factor? **(12 marks)**

(Total: 25 marks)

Question 4

Based on Bloomberg news dated 11 April 2018, Ant Financial's latest round of funding, reported to involve Malaysia Khazanah Berhad and Singapore's Temasek Holdings Pte, is said to value the Chinese Fintech Company (Ant Financial is parent company of Alipay) at about \$150 billion -- 50 percent more than Goldman Sachs Group Inc.'s market capitalization. It revealed the potential of Fintech Company.

- i) Discuss the revolution of Fintech. **(7 marks)**
- ii) List down and discuss each two Fintech companies that based in Malaysia and international respectively. **(9 marks)**
- iii) Discuss the threat of Fintech in general and how the bank dealing with the threat posed by Fintech. **(9 marks)**

(Total: 25 marks)

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